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Amazon Data Center Builder Advances Suit Against Venture Partner
By Mike Leonard
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- Case concerns \$500 million joint venture to build data centers
 - It's plausible one partner wrongly ousted another, judge says
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Amazon Data Center Builder Advances Suit Against Venture Partner

By Mike Leonard 2022-06-23T14:58:59000-04:00

1. Case concerns \$500 million joint **venture** to build data centers
2. It's plausible one partner wrongly ousted another, judge says

IPI Partners LLC must face contract litigation over claims it pushed Northstar Commercial Partners out of their \$500 million joint **venture** building Amazon Inc. data centers by mischaracterizing an FBI kickback investigation, a Delaware judge ruled.

Vice Chancellor J. Travis Laster let the case move forward Wednesday, citing plausible claims that IPI “ironically” engaged in fraud or misconduct when it ousted Northstar from the project after attributing the alleged kickback scheme to fraud or misconduct.

“The defendants seek the benefit of the doubt that they refused to give,” but the allegations “support a reasonable inference that IPI Partners and its affiliates knew they did not have a basis” for cutting out Northstar, the judge wrote for Delaware’s Chancery Court.

The case stems from a project to build nine data centers on three sites in Virginia and lease them to Amazon. Northstar, a commercial real estate developer, partnered with IPI, which funds data centers, after winning the contract through connections between an Amazon manager and his brother, a Northstar affiliate.

Northstar managed the project’s everyday operations, while IPI controlled its board, which could remove the developer over certain “cause events,” including “gross negligence, willful misconduct, or fraud” by its founder, CEO Brian Watson.

After the FBI began investigating whether the Amazon manager was taking kickbacks out of finder’s fees paid to his brother, IPI invoked the “cause event” provision, blaming Watson. Northstar sued, accusing IPI of breaching their contracts by manufacturing a pretext for seizing control of the **venture**.

Amazon separately hit both sides with racketeering claims in federal court in Virginia, winning a preliminary injunction in 2020 that required them to escrow \$21.5 million total in funds allegedly related to the kickback scheme. That case is ongoing.

In his ruling Wednesday, Laster advanced Northstar's contract claims, finding it "reasonably conceivable" Watson was unaware of any kickback scheme, even if there was one. Northstar insists he "sought assurances" that there were no kickbacks, "received those assurances, and relied on them," the judge noted.

"At the pleading stage, Northstar is entitled to the inference that Watson was not personally involved in the kickback scheme," he wrote.

Laster did, however, dismiss theft and conspiracy counts against two IPI principals, saying they effectively duplicated the contract claims.

Northstar is represented by Bayard PA and Brownstein Hyatt Farber Schreck LLP. IPI is represented by Potter Anderson & Corroon LLP and Akin Gump Strauss Hauer & Feld LLP.

The case is WDC Holdings LLC v. IPI Partners LLC , Del. Ch., No. 2020-1026, 6/22/22 .

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